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Report on
The Intelligence Community

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for the Director of Central Intelligence*

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DIRECTOR OF CENTRAL INTELLIGENCE

REPORT ON

THE INTELLIGENCE COMMUNITY

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INTRODUCTION

A. Purpose of the Report

This is the first comprehensive report * on the Intelligence Community presented to the President and the Congress by the Director of Central Intelligence. It is designed to provide an overview of the context, significant trends and major challenges confronting the United States national foreign intelligence effort from the DCI's perspective on the Intelligence Community as a whole.** (U)

As a summing up of the year past, both problems and accomplishments, and more particularly a projection of what lies ahead, it reflects my view of the new or evolving challenges and requirements stemming from economic, political, technological and other changes in the environment. It is intended to inform the President, the Congress, and other interested agencies of the Government of both the substance and the philosophy and outlook of my stewardship as Director of Central Intelligence. I view this report as also responding to Congressional needs for general information in fulfillment of its oversight responsibilities and to needs of the Executive Branch in ensuring control and coordination of intelligence activities. (U)

* The original report, published in January 1977, was classified Top Secret. This version is being published at the Secret level to make the report available to a wider readership.

** The term "intelligence," wherever used in this report, should be taken to mean foreign intelligence unless otherwise specified. Executive Order 11905 dated 19 February 1976 defined the Intelligence Community as consisting of the following elements: the Central Intelligence Agency, the National Security Agency, the Defense Intelligence Agency, special offices within the Department of Defense for the collection of intelligence through reconnaissance programs, intelligence elements of the military services, and intelligence elements of the Departments of State and Treasury, of the Federal Bureau of Investigation, and of the Energy Research and Development Administration. (U)

The report is being issued in conjunction with the presentation of the National Foreign Intelligence Program (NFIP) to the Congress to complement the proposed national foreign intelligence budget itself and the efforts of Community managers in the NFIP development process, and to serve as a point of departure for the budget and oversight hearings to follow. (U)

B. The Purpose of United States Foreign Intelligence

Our national foreign intelligence purpose * is clear and enduring. It is, quite simply:

To meet the requirements of United States Government policy makers for comprehensive, timely and accurate intelligence on the whole range of current and projected foreign military, economic, political, psychological and geographical factors which are significant for policy formulation,

To provide intelligence support for the conduct of international negotiations, and

To provide intelligence input for operational decisions relating to national security and the national welfare. (U)

C. The Contemporary Perspective

In the midst of the Community's efforts to achieve this purpose, a particular aspect of the endeavor has concerned us greatly over the past year. I am referring to the critical elements which tie together what we seek to do and its

* For further explication of the purpose of United States foreign intelligence, see the publication "Goals and Objectives of the Director of Central Intelligence for Fiscal Year 1977." (U)

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achievement. Several things stand out in my mind:

- The realities of the contemporary world, while they may be known in general outline to a substantial portion of the American people, are not appreciated in detail by a large number. There is not, in the absence of overt hostilities directly involving the United States, broad understanding of the critical importance of intelligence to the national security. This is particularly the case with regard to intelligence on other than military matters. (U)
- At the same time, paradoxically, intelligence plays a more important and creative role than ever before in maintaining peace as well as national security. This is especially apparent in the verification of compliance with arms control pacts and similar international agreements, such as those governing nonproliferation of nuclear weapons. Without confidence that we could rely upon good intelligence in such matters, in fact, the United States would literally be unable to enter into agreements of this kind. (U)
- In an era in which international economic factors may represent threats to the national security as grave as those posed by some military factors, popular attitudes may impact on decisions regarding what information is to be collected, how it should be collected, how it should be used once obtained, and the extent to which it should be kept secret. (U)
- Public attitudes toward secrecy are sharpening these problems. There is a persistent tension which results from our national style and preference for openness and straightforwardness in all dealings of the Government. (U)

While it is generally recognized that secrecy has a legitimate place in intelligence operations, in implementing the national foreign intelligence

program we must deal with a number of difficult problems:

- Demonstrating to the satisfaction of the American people, through the President and the Congress, that the national foreign intelligence program is necessary and sufficient, and that it meets acceptable standards of legality, propriety and efficiency. (U)
- Meeting the needs of those charged with intelligence oversight responsibilities in both Executive and Legislative Branches for substantive and procedural information, and doing this without compromising necessary security. (U)
- Protecting intelligence sources and methods as I am charged to do by law. (U)

These concerns with effectiveness, legitimacy and secrecy have commanded a great deal of my energies and attention over much of the last year, as they have those of many other concerned leaders in the Congress, the Executive Branch, and throughout the Intelligence Community. But I have also been much involved with another equally difficult and persistent problem, that of gauging the adequacy of the resources and efforts we devote to our intelligence mission. (U)

The management of intelligence entails problems similar to those regarding military forces, but with some additional complexities. The narrow base of knowledge and understanding of intelligence operations, and the limitations imposed by necessary secrecy on providing information to those not officially involved, make rationalization more difficult. In brief, the additional complexities are:

- Shortfalls in intelligence are difficult to perceive and to measure. The only way to tell what exists is to look, and without looking it is hard to know what risks are entailed in not doing so. (U)
- The value of negative intelligence is hard to gauge. The lookout who rouses the sleeping

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camp in time to repel an enemy's pre-dawn attack proves his worth. The value of national systems which monitor vast areas in which no significant adversary activity is taking place is more abstract and more difficult to estimate and to appreciate. (C)

- Shortfalls in intelligence have second and third order consequences which are difficult to foresee and which may be compounding. Military force sizing depends heavily on accurate and timely intelligence. Shortfalls

in intelligence performance which undercut the input into force planning have potentially disastrous effects. (U)

- Reliance upon adequate intelligence is most pronounced, and probably more crucial, in policy planning. The absence of needed intelligence could lead to decisions establishing objectives which are unrealistic or which are unsuitable in that they are either more ambitious or more conservative than they ought to be. (U)

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COMMUNITY MANAGEMENT AND RECENT ACCOMPLISHMENTS

A. The State of the Community

A crucial concern of mine has been to reverse those unfavorable attitudes toward the Intelligence Community which I felt were unjustified. While the reform movement was needed and constructive, the attitudes it engendered inevitably had a dispiriting effect on the many able and dedicated people throughout the Community who had consistently been doing an effective and praiseworthy job. (U)

During the past year these attitudes have moved toward a more proper perspective. This has been accomplished not as a result of a public relations campaign or a lobbying effort, but rather through demonstrated willingness to meet the criticisms of the past in a forthright way, and to devise and wholeheartedly implement safeguards which would ensure that future performance would meet the highest standards of propriety and legality. Representatives of the Community have been candid and forthcoming in their interaction with members of the Congress and their staffs, as they have been with Executive Branch elements having both managerial and oversight responsibilities. Increased attention has been given to those elements which provide oversight capabilities within the Community itself. (U)

The improvement in attitudes toward the Intelligence Community, which reflects increased confidence in the essentiality and effectiveness of its activities, manifests itself in a number of ways. One of the most important is in the relationship of the DCI with the President and with the Congress, a relationship characterized by direct access and trust with regard to the President and by frequent interchange and a spirit of cooperative endeavor with members of the Congress. (U)

When I first joined the Intelligence Community I found that my able predecessor, Bill Colby, had formulated and issued a comprehensive set of guidelines to guarantee that the Central Intelligence Agency and the Intelligence Community would faithfully adhere to the highest standards of circumspection and accountability. The list was both thorough and fully in keeping with the spirit of the President's Executive Order which was issued after I became DCI. (U)

Soon after accepting stewardship as Director of Central Intelligence I set forth a number of guiding principles which expressed my philosophy of how we ought to go about our business. I believe we have as a Community had substantial success in living up to these principles, which are the following:

- Total objectivity is the hallmark of all intelligence reports and estimates.
- Strongly held dissents and differing judgments within the Intelligence Community on substantive intelligence will be carefully noted in Community-coordinated products forwarded to policy making levels of the government.
- Representatives of every Community organization must have the right to be heard and to have their ideas and views given serious consideration.
- The freest possible flow of information, both within and among the organizations of the Community and with the users of intelligence; is the constant goal. To assure that the fullest data is available, cooperative arrangements must be maintained with all government agencies working in the foreign affairs field.

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- We have an obligation to provide as much information as possible on an unclassified basis, but without derogation of the necessity to protect sensitive sources and methods and to protect information which truly requires sensitive treatment.
- Dependable intelligence is an essential base for the formulation of national policy, so intelligence collection and production must give priority to topics of major policy concern. Our role is to provide information and professional judgments on foreign developments, without coloration by policy considerations.
- The concept of an Intelligence Community must be strengthened. We will be judged on Community accomplishments and on the effectiveness of our interaction in Community problems as well as on our substantive end products.
- Continuing attention will be given to improving the interface between national and tactical intelligence capabilities, seeking to capitalize on the potentiality of inputs to national intelligence needs from tactical resources in peacetime and the capabilities of national resources to provide intelligence of import to both peacetime force readiness and wartime operations.
- The Community must be action oriented and responsive. Papers must move quickly, deadlines must be met, decisions must be reached and results must be demonstrated.
- The limitation and restrictions on intelligence activities already set by the President will be rigidly observed and have the full support of all intelligence personnel, in spirit as well as act.
- Improvement of the public perception of U.S. intelligence will be given continuing attention. Intelligence is a profession in which pride can be taken and that pride should be demonstrated. Within the constraints of legitimate security requirements, the Intelligence Community should strive to better public understanding of our mission and of our product.
- The Intelligence Community should be as responsive as possible to Congressional inquiries. Congressional support is essential to sustain the effectiveness of the U.S. intelligence effort, and our cooperation is essential to such support. (U)

B. The Committee on Foreign Intelligence

The President's Executive Order 11905 of 19 February 1976 was issued to establish policies to improve the quality of intelligence needed for national security, to clarify the authority and responsibilities of the intelligence departments and agencies, and to establish effective oversight to assure legal compliance in the management and direction of intelligence organizations. A particularly important provision of the order was the creation of the Committee on Foreign Intelligence (CFI), which I chair, and which has as its other members the Deputy Secretary of Defense responsible for intelligence matters and the Deputy Assistant to the President for National Security Affairs. This Committee has, for the first time, given the Intelligence Community a means of effecting resource control over all elements of the National Foreign Intelligence Program. (U)

The CFI receives guidance on the formulation of national intelligence policies from the National Security Council, and is empowered to control budget preparation and resource allocation for the National Foreign Intelligence Program. The CFI is a decision-making mechanism which rules on resource questions. Since its inception last February, the CFI has successfully organized to carry out this fundamental role. Beginning last July, the CFI identified issues regarding the National Foreign Intelligence Program for further consideration during the fall budget review. This detailed process of identifi-

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cation, study, and negotiation of resource issues was a major improvement over previous more fragmented practices in the development of the proposed budget for the National Foreign Intelligence Program. (U)

The Executive Order also charged the Intelligence Community Staff to provide staff support to the CFI. Under the direction of the Deputy to the DCI for the Intelligence Community, the Intelligence Community Staff supports the DCI in his Community role in four areas: resources management (CFI support), collection assessment, product evaluation and improvement, and coordination and planning. The Intelligence Community Staff includes the executive secretary to the CFI, who also serves as executive secretary for the National Foreign Intelligence Board (NFIB). (U)

C. The National Foreign Intelligence Board

The NFIB, which I chair, functions as an advisory body to me in the production of national intelligence. NFIB members include the Deputy to the DCI for the Intelligence Community (vice chairman); the Deputy Director of Central Intelligence; the Directors of the National Security Agency and the Defense Intelligence Agency; the Director of the State Department's Bureau of Intelligence and Research; and the senior foreign intelligence representatives of the Department of the Treasury, the Energy Research and Development Administration, and the Federal Bureau of Investigation. Chiefs of the intelligence elements of each military service are designated observers, and play an active role in the discussions and exchange of views. (U)

The NFIB is successor to the United States Intelligence Board, which was terminated by the President's Executive Order. As the chief operating officers of line elements of the Community, the NFIB members bring to this body a diversity of views and concerns that ensures comprehensive coverage of all aspects of critical intelligence estimates. An important ingredient of this is the inclusion of dissenting views expressed by an

NFIB member when coordinated intelligence estimates are published, thereby ensuring that policy makers are aware of uncertainties and differences of interpretation in the judgments they receive. (U)

D. The DCI Committee System

DCI Committees have been established to coordinate Community intelligence activities in several areas of specific concern dealing with collection, production, and support. Each of the twelve committees is designed to coordinate Community intelligence activities in a given field. DCI Committee chairmen are appointed by me with the advice of the NFIB. Committee membership includes representatives of all interested agencies, both from within the Intelligence Community and from elsewhere in the government. The chairmen of five of the Committees are currently integrated into the Intelligence Community Staff. The Deputy to the DCI for the Intelligence Community meets routinely with all DCI Committee chairmen. Hence, the DCI Committees, although still supportive of NFIB tasking, have taken on a true Intelligence Community flavor by becoming directly responsible to me and the Community Staff.* (U)

Broadly speaking, four of these committees are concerned with collection means (signals intelligence, imagery, human resources, and defectors), four with production matters (those dealing with

* Prior to February 1976, the DCI Committees were considered to be working groups subordinate to the United States Intelligence Board (USIB), the advisory body to the Director of Central Intelligence comprised of the senior members of those agencies and departmental elements which make up the Intelligence Community. While the USIB was formally terminated with the issuance of the President's Executive Order on U.S. Foreign Intelligence Activities on 19 February 1976, it was reconstituted shortly thereafter as the National Foreign Intelligence Board (NFIB); it is still an advisory body to the DCI on substantive intelligence matters, and still under the chairmanship of the DCI. But the Deputy to the DCI for the Intelligence Community (D/DCI/IC) was established as the NFIB vice chairman and a full voting member. This important change formalized the relationship of the NFIB to the Intelligence Community Staff, which is directed by the D/DCI/IC and which supports the DCI in his Community role. (U)

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atomic energy, weapon systems, science and technology, and economics), and four with elements of support and other specialized problems (security, information handling, exchanges, and critical collection problems). (C)

E. The National Intelligence Officers

The National Intelligence Officers (NIOs), under supervision of the Deputy to the DCI for National Intelligence, provide substantive support in the production of all national intelligence except current intelligence (which is a CIA responsibility). Individual NIOs have responsibility for such production in their assigned fields, either geographical (the Soviet Union and Eastern Europe; Western Europe; the Near East and South Asia; Africa; China; East Asia/Pacific; Latin America) or topical (strategic programs, conventional forces, economics). The ten NIOs are empowered to draw on the full resources of the Community to meet the intelligence needs of policy makers. Their products range from formal National Intelligence Estimates, prepared jointly by several agencies and extensively coordinated, to special studies and assessments which respond specifically to the needs of a particular senior policy officer. A particularly important function of the NIOs is to serve as a link among consumers, producers, collectors and experts from outside the government. (C)

Among the steps taken recently to improve the intelligence production process were these:

- To better reconcile the demands for interagency finished intelligence with the resources available, a National Intelligence Steering Group was organized last June. One of its particular achievements has been the commissioning of a working group under the NIO for the Middle East to explore ways of building on the improvement in methodologies used to assess the Middle East military balance in this year's estimate so as to minimize the subjective element in the judgments rendered. (C)

- To attempt to deal with criticism of past estimates of Soviet strategic capabilities, this year I commissioned an experiment in competitive analysis. Managed by the NIO for strategic programs, it entailed having parallel teams produce estimates regarding three different aspects of Soviet strategic capabilities; one team was composed of professional intelligence officers, while the other was drawn from the ranks of private defense research organizations. While the value of this experiment was somewhat diminished by the fact that selective pieces of information were leaked to the press, we did learn from the process. I do not feel, however, that this type of approach should be institutionalized as part of the regular estimating process. (C)

- To help improve the quality of National Intelligence Estimates in general, I decided to organize an Estimates Advisory Panel for the DCI. To be made up of some three dozen of the most capable and knowledgeable people outside of government, the panel will take a fresh look at each estimate; when an estimate has been drafted to the satisfaction of the responsible NIO, several members of the panel will be asked to review it for coherence, comprehensiveness, and relevance before it enters the formal coordination process. (C)

Even before most of these improvements could be made, the NIOs made major contributions to the accomplishments of the Intelligence Community by their management of national intelligence production. Many of the accomplishments cited in the following section of this paper occurred under the leadership of the National Intelligence Officers. (U)

F. Major Accomplishments

The Intelligence Community responded well to the needs of 1976, in terms of both management and output. Executive Order 11905 required institutional changes that affected directly a

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number of established procedures. The Committee on Foreign Intelligence established an entirely new way of developing a Community budget; the relationship of the DCI to the CIA and the Intelligence Community was altered; the Intelligence Community Staff was significantly strengthened; and a reorganization within the Department of Defense restructured the lines of control over Defense intelligence. By year's end the Community was operating effectively within the guidelines of the Executive Order and the new procedures effected by it. Moreover, the IC Staff had produced an evaluation of the quality and timeliness of intelligence products for the first semiannual NSC review of intelligence as directed by the Executive Order. (U)

Soviet Union and Eastern Europe. The Soviet Union—its development and intentions—has continued to be the major concern of the Intelligence Community. During 1976 the Community tracked the development of Soviet strategic forces in a number of publications. Soviet capabilities are better understood, and developments affecting the SALT I agreement and SALT II negotiations have been conscientiously monitored throughout the year. (S)

As a result of intensive work on a Community basis, producers are now better equipped to deal with a number of Soviet activities that merit concern, particularly the purpose and extent of Soviet civil defense programs, Soviet efforts to conceal certain types of weapons developmental and deployment activity, and their thoughts and doctrine concerning limited nuclear war. The Community has placed much emphasis on the study of Soviet intentions worldwide. A recent assessment of Soviet developments is especially noteworthy: NIE 11-3/8-76, *Soviet Forces for Intercontinental Conflict Through the Mid-1980s*. The NIE is a comprehensive analysis of Soviet current strategic capabilities and future potential. An Interagency Intelligence Memorandum, completed at the close of 1976, assessed the likelihood of Soviet interference with US national technical means for verifying arms control

agreements. This study and other supporting data analyzed during 1976 respond to the uneasiness and uncertainty among administrative and military principals concerning Soviet posture, strategy and intentions. (S)

The Community continues to expend approximately fifty percent of its overall collection, processing, and production resources on matters pertaining to the USSR and Eastern Europe. The quality and timeliness of current intelligence reporting remain adequate to meet the increasing demands of an expanding number of intelligence users. The past year has seen steady improvements in descriptive reporting on the orders of battle and weapon systems of the Soviet/Warsaw Pact strategic and general purpose forces. For example, to assist users' understanding of developments in this substantive area, a recent Interagency Intelligence Memorandum, *Trends in Soviet Military Programs* (October 1976), provided a broad overview of recent trends in the evolution of Soviet military forces, weapon systems, missions, and operations. In addition, particular note should be taken of the excellent support the Community has provided both the SALT and MBFR negotiators in terms of timely, high-quality current intelligence; detailed inputs to SALT/MBFR policy papers; the periodic *Monitoring Report* prepared for the Verification Panel; and the significant progress toward developing agreed, credible Soviet/Warsaw Pact force-level estimates in the NATO Guidelines Area for MBFR. (S)

On the other hand, the Community is mindful of the pressing requirement for enhanced analytical sophistication in treating Soviet/Warsaw Pact matters in the future and is actively seeking ways to achieve better analyses of the complex qualitative issues surrounding understanding of overall Soviet/Warsaw Pact war-making potential and doctrine. As an important step in this regard, a National Intelligence Estimate on *Warning in Europe* is currently under development. The Community also recognizes the importance to the users of intelligence of

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Community disagreements and uncertainty concerning such vital questions as the continuing improvements in Soviet strategic capabilities.* (S)

During 1976 the Community also completed a significant review of Soviet civil defense programs (IIM, *Soviet Civil Defense*, November 1976) which concluded, *inter alia*, that the overall Soviet program is more extensive and better developed than was previously believed. Improving Community understanding of the effectiveness of this Soviet program is a priority goal for the coming year. (S)

The Community has as its highest priority the continuing collection and examination of evidence bearing on the critical question of Soviet strategic objectives and policies, and the many sub-questions that attend them. The Community recently produced the first NIE since 1972 which analyzes how Soviet leaders perceive the USSR's position and prospects in the world and what objectives underlie their foreign and military policies (NIE 11-4-76, *Soviet Strategic Objectives*, December 1976). The NIE reveals Community agreement on a wide range of Soviet objectives. There are differing views, however, regarding Soviet intentions for establishing military superiority over the West. There are basic differences among intelligence producers regarding the Soviet leaders' perception of the feasibility of achieving such superiority and, if it is considered feasible, when that condition could be attained. NIE 11-10-76, *Soviet Military Policy in*

the Third World (October 1976), was an extensive treatment of another aspect of Soviet objectives. (S)

Considerable attention is also being given to enhancing our understanding of vital economic issues pertaining to the USSR and Eastern Europe, particularly in the areas of Soviet defense expenditures and technology transfer. The Community is accelerating its research efforts on the myriad of questions involved in analyzing Soviet defense spending, guided by periodic reviews by the DCI's Military Economic Advisory Panel. Improvements in estimates will be reflected in revised reports by CIA's Office of Strategic Research in 1977, as well as in several specialized studies being undertaken in response to requests from OSD's Director of Net Assessment. To provide a framework for a comprehensive analysis of technology transfer issues in 1977-1978, several case studies of individual industries are being prepared and a major interagency reexamination of the Soviet economy is under way. Additionally, the Community is seeking to improve production of other broad-gauged estimates that treat the political, economic, military, and social effects of current or prospective internal developments in the USSR and Eastern Europe. SNIE 11-6-76, *Implications of the 1975 Soviet Harvest*, is a recent example of such a product that has been well received. (S)

The ability to analyze basic aspects of the Soviet and Eastern European economies on the foregoing subjects—as well as to support the more detailed requirements of military planners for targeting US strategic forces—depends in large measure on the ability to improve development and maintenance of necessary data bases and expertise on the Soviet economy, while at the same time supporting the expanding requirements of users concerned with other international economic issues. (C)

Middle East. The Arab-Israeli equation continued to dominate US intelligence priorities in the Middle East throughout 1976 in terms of both requirements and resources. The lessening of

* NIE 11-3/8-76 itself is this year a very comprehensive treatment of Soviet offensive and defensive forces for intercontinental nuclear conflict through the mid-1980s, drawing upon the findings of other recent Community assessments such as: Interagency Intelligence Memorandum (IIM), *Prospects for Improvement in Soviet Low-Altitude Air Defense*, dated March 1976; IIM, *Soviet Approaches to Defense Against Ballistic Missile Submarines and Prospects for Success*, dated March 1976; Weapons and Space Systems Intelligence Committee (WSSIC), *Low Altitude Air Defense Capabilities of Soviet Nuclear-Equipped SAMs*, dated August 1976; WSSIC, *Soviet ICBM Silo Hardness Estimates*, dated November 1976; and Scientific and Technical Intelligence Committee (STIC), *Soviet R&D Related to Particle Beam Weapons*, dated October 1976. (S)

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earlier tensions between the confrontation states and the concomitant reduction in the likelihood of hostilities allowed the Intelligence Community to shift more attention and support to other important issues:

- The development of an intelligence reporting system and warning notification procedures on behalf of the Sinai Support Mission and the Sinai Field Mission.
- The Lebanon crisis, beginning with the deteriorating situation in January, and thereafter with especially effective coverage of the evacuation of US civilians, the impact of Syria's military actions, the civil war period and the Riyadh Accord.
- The role of the Palestinian movement in the context of Middle East stability.
- Egyptian-Libyan border tensions which appeared to presage a military showdown. (S)

The Intelligence Community has continued to monitor closely the transfer of arms to Arab countries, particularly to the confrontation states (Egypt, Syria, Jordan), provided by the USSR and East European arms producers. The results of these efforts contributed significantly in the preparation of an NIE (35/36-1-76) which outlined a five-year (1976-1981) projection of the Arab-Israeli military balance in the Middle East. The results of this comprehensive and well-integrated NIE were useful to senior-level policy makers because of far-reaching, realistic judgments. Important ongoing efforts, collateral to the Arab-Israeli issue, provide senior-level consumers with a wide range of reports covering the Golan disengagement area, non-military developments in the Syrian-Israeli disengagement area, and on-site activities of the Sinai Field Mission resulting from the Sinai II agreement. Currently under way is an assessment of potential Egyptian strategies and policy options affecting Arab-Israeli negotiations in 1977 in light of the pressures and constraints on Egypt's leadership. (S)

Support to US foreign policy interests in helping to bring about a negotiated peace settlement in the Middle East serves to guide Intelligence Community efforts in the coming year. Additional attention to qualitative human factors is needed in order to improve US assessments dealing with Arab military capabilities. Activities of the Arab members of OPEC, and the impacts which their oil pricing have on US international and domestic economic policies, are of increasing importance and deserve increasing attention by the Community. Persian Gulf state economic and monetary policies, financial investments abroad, internal political dynamics—all are candidates for closer scrutiny. (S)

Africa. The Intelligence Community displayed laudable flexibility in its ability to rapidly shift collection and analytical attention to events in Sub-Saharan Africa. Prior to the issue of Angola, Africa did not enjoy high priority in foreign policy action, a fact reflected in the Community's priority planning documents. For example, in FY 1975 there was no Key Intelligence Question relating to Africa. Once evidence of increased Soviet and Cuban interest in Angola was noted, an NIO was given responsibility for following African developments and a KIQ was added to focus collection and analytic efforts on the most critical issues. Over the past year, the Intelligence Community has provided countless analyses of political, economic, and military activities in Angola, including assessments of Soviet, Cuban and PRC involvement. (S)

The Community was particularly responsive in respect to the thorny Rhodesian question, and provided effective support to the Secretary of State for his meetings with the Prime Ministers of South Africa and Rhodesia. On very short notice, the Community provided to the Secretary coordinated intelligence assessments of political, economic and military situations, and of the future outlook for those countries. These were acknowledged as valuable inputs to critical negotiations. Complementing the major studies, the Community provided daily support to the negotiations

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with finished intelligence on specific questions and with clandestine source reporting on significant events. At this time, a new estimate on Rhodesia is undergoing final review. This will address the latest developments and continuing problems. (S)

Other areas and issues of significant foreign policy impact to the US have also been addressed. For example, the Community prepared an assessment of the military threat to Zaire that helped put into context Zairan requests for US aid. A Special National Intelligence Estimate on the prospects for conflict in the Horn of Africa flagged the Intelligence Community's concern over open conflict between Ethiopia and Somalia to policy makers. It has been a valuable input to the NSSM concerning future US foreign policy toward the countries in that area. (S)

As we enter the new year, the Community is better prepared to cover developments on the issues discussed above. In October 1976 the DCI issued a special set of national intelligence requirements on Sub-Saharan Africa for FY 1977. These requirements will insure that collection, processing, and analytical resources are focused on those issues and countries of national-level concern. (S)

Far East. The People's Republic of China (PRC) continues to be of priority interest. Militarily, the People's Liberation Army has improved its capabilities somewhat, but intelligence analysis and evaluation of military training and production trends indicate a slow, evolutionary road to force modernization, even though this is still believed to be a high priority in Peking. Political and economic pressures, as well as the existing threat perception of the PRC, will continue to influence the direction and pace of force modernization. Although there are several gaps in intelligence coverage of Chinese military capabilities, the Community does not expect to be surprised by any rapid improvements in the ability of the PRC to attack the US mainland with strategic weapons. (S)

During 1976 both DIA and CIA provided useful military assessments of the PRC. The most significant coordinated study was NIE 13-76, *PRC Defense Policy and Armed Forces*, which presented the first comprehensive picture of the direction and content of China's defense policy by the Intelligence Community since 1972. The inner struggle for power and influence in Peking was a priority interest throughout 1976, and remains so. Given the nature of the intelligence collection problem and the unpredictability of Chinese domestic affairs, recent intelligence reporting and analysis on internal Chinese developments has been timely and generally accurate. (S)

It continues to be difficult to accurately predict the twists and turns of China's internal leadership changes, however. While I believe we predict as well as any other country, these are the kinds of changes which are inherently difficult to anticipate, and which remind us of the inescapable uncertainties and shortfalls which are in the nature of the intelligence endeavor. (C)

The Community is also responding to the continuing need for thorough analysis of the attitude of Peking toward Moscow and Washington, and the level of effort the PRC is willing to place on economic and technological developments, particularly the trade policies which they adopt to support indigenous programs in this regard. PRC intentions toward Taiwan also remain a priority intelligence target. (S)

The North Korean-South Korean situation has the potential for a major crisis within the next year. Intelligence reporting and analysis on the military balance have been a priority focus of the Intelligence Community throughout 1976. The more useful analytical contributions included an NIO Memorandum, *Recent North Korean Military Developments*, January 1976; DIA's *North Korean vs. South Korean Military Capabilities and Vulnerability: A Net Assessment*, 15 February 1976; and USIB Memorandum D-28.1/20, *Indications and Warning, Korea*, 27 February 1976. Although intelligence gaps still

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exist on military capabilities and dispositions of troops, these assessments served to highlight North Korean military developments and the difficulty of warning against a North Korean surprise military attack. (S)

Our knowledge of North Korean internal political developments and foreign policy intentions is less than adequate and will probably remain so, given the nature of the intelligence collection environment. Of potential major interest is the impact of possible US force posture changes in South Korea—what this would mean for the military balance, for foreign and domestic Korean policy, for proliferation of nuclear weapons in Northeast Asia, and for key nations in East Asia. (S)

One of the more useful studies during 1976 addressing US policy for East Asia was National Intelligence Analytical Memorandum (NIAM) 40-11-1-76, *Regional Perceptions of Soviet Activities in the Pacific*. This addressed Soviet interests, expansion, and initiatives in the East Asia/Pacific area and the impact of these Soviet activities on leading Pacific countries. Additionally, Japanese economic issues and internal developments demanded considerable attention and were well covered in both current analyses and clandestine reporting. (S)

Terrorism, Nuclear Proliferation, and Technology Transfer. Three areas—international terrorism, nuclear proliferation, and technology transfer—not only are important policy issues, but also share characteristics which make the intelligence effort against them difficult. Each involves a large number of government departments and agencies with varying concerns and policy responsibilities. The requirements for comprehensive and sophisticated intelligence products have arisen only in the relatively recent past, and these requirements differ. Moreover, it is sometimes difficult to evaluate the effectiveness of the support which the Community provides on a routine basis. (C)

Terrorism. The Community is actively engaged in several aspects of this complex problem, and there is general satisfaction with the products and support. Direct support for national-level users is effected through the Cabinet Committee to Combat Terrorism (CCCT) and its 24-member Working Group. Efforts currently are under way to improve and streamline the CCCT and the structures and procedures by which the Community supports it. I recently appointed a new special assistant on international terrorism for liaison with the Department of State and the CCCT. (S)

Success is difficult to recognize where prevention of actions inimical to US citizens and interests is the primary concern. Warning regarding possible or potential threats is the daily responsibility of the Intelligence Community, and the fact that actual incidents are few is silent credit to this support. For example, a carefully coordinated program was implemented during 1976 to prevent terrorist operations against participants in the Olympic Games. As part of this program, Treasury published a special issue of its unclassified *Terrorist Intelligence Bulletin* which was extremely useful during the incident-free games in Canada. (S)

Nuclear Proliferation. The Intelligence Community's efforts to provide nuclear proliferation intelligence have increased sharply over the past few years. Support is now given to arms control negotiations, nuclear technology and material licensing deliberations, and sensitive diplomatic negotiations among the US, other nuclear suppliers, and third countries desiring nuclear technology. For example, State, ERDA, and the NSC have used the Community's intelligence products recently in negotiations with India, Brazil, Pakistan, Taiwan, South Korea, France and West Germany. Nuclear technology suppliers' conferences are backstopped with Intelligence Community support. (S)

The Community perceives that, as the US formulates a strong national policy regarding nuclear proliferation, there will be an increased

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demand for high quality, "issue-driven" intelligence products. The Community is now involved in reorganizing its efforts and setting up information exchange forums to get a clearer definition of user requirements with respect to major policy issues. To date, these actions include a reorganization within CIA to facilitate multi-disciplinary analyses to deal more effectively with (among others) the intelligence needs of the policy makers concerned with aspects of nuclear proliferation. The NFIB has recently agreed to the establishment of a focal point at the DCI level to help coordinate Community actions. Several steps are under way that should substantially improve support to policy concerns over the next several months. (S)

Technology Transfer. The Intelligence Community provides a wide range of support to the Departments of Commerce, State, and Treasury, the major agencies charged with control of the export of US technology. Lengthy, formal studies have been produced on the economic impact on the USSR of technology transfer and on upgrading of Soviet military capabilities by the transfer of specific technologies. Also provided is background information on the consignees of US technologies, the stated and likely uses of the technology, and the USSR's technology base in those areas where sales are being negotiated. (S)

Technology transfer to the USSR is being given increased attention by all intelligence organizations concerned. The major difficulties for the Community to tackle in a comprehensive integrated analysis of the technology transfer issue include the dearth of intelligence information on how technology is absorbed into the Soviet economy, the need for a comprehensive re-examination of the Soviet economy itself, and the inadequate data base to implement such a review. (S)

The National Intelligence Officer for Economics has taken the complex issues of technology transfer as a major area of his responsibilities, and steps are currently being taken to overcome the

above difficulties. Several case studies of individual industries are now under way to shed further light regarding the impact of technology transfer on Soviet production of machine tools, computers, and other equipment and on Soviet military capabilities. In addition, a major inter-agency reexamination of the Soviet economy is planned. It is expected that these efforts will provide a framework for an even more comprehensive study of technology transfer issues in 1977-1978. (S)

Economics. The Community has recognized and responded to the increasing intelligence needs of US foreign economic policy makers. There is generally a good working relationship between the producers and consumers of economic intelligence, and policy makers increasingly are alerting intelligence to the policy and negotiating issues requiring intelligence support. The results have been noteworthy and the Community received excellent marks for its performance in this regard over the past year. (S)

In November I attended a special meeting of the Economic Policy Board to discuss intelligence support. The Board members confirmed that they were being well supported by the Intelligence Community. Other intelligence officials and I joined with Board members in assessing the broad range of policy needs and the adequacy of the intelligence response. It was agreed that the interface between users and producers of economic intelligence has vastly improved in the past two or three years and that the economic intelligence being provided is relevant and timely. (S)

Among major foreign economic policy issues to which intelligence recently has made significant contributions are the impact of rising petroleum prices on both industrial countries and non-oil-producing less developed countries; the differences between industrial and less developed countries on commodity price supports; the economic problems of the United Kingdom and Italy; the effects of changes in the structure of

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exchange rates; and the implications of rapidly rising debt burdens for many less developed countries and certain industrial countries. In this regard, assessments of the credit-worthiness of the USSR and Eastern European countries have been particularly useful. Intelligence assessments of Soviet grain production, OPEC country investment, import and oil price plans, and Mexican policies under its new President have also been helpful to policy makers.* Two periodic CIA publications widely used within the govern-

ment's economic community are the *Economic Intelligence Weekly* and the biweekly *International Oil Developments*. Topics in both these publications are well-received because of their relationship to the daily policy issues faced by decision makers. (S)

CIA, as well as the Bureau of Intelligence and Research in State on a more limited basis, continues to respond to a great many specific requests for current economic intelligence in connection with the preparation of briefing and background papers for top officials. Examples include support for the two economic summit meetings (in France and Puerto Rico) and for trips during 1976 by the Secretary of the Treasury to the Middle East, Latin America and Eastern Europe. (C)

* Typical economic reporting during 1976, all by CIA's Office of Economic Research, included: *The World Copper Market: Recent Trends and Prospects*, *The Next OPEC Price Rise: Economic Impact and Implications*, *OPEC Countries: Current Account Trends, 1975-76*, and *Non-OPEC LDCs: Coping with Balance-of-Payments Problems*. (S)

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FY 1977 AND BEYOND: PROBLEMS AND PROSPECTS

A. Intelligence Management

Organization for Better Management. Although I am not convinced that major organizational changes are needed, I believe we can and must continue to analyze our management structure in the attempt to achieve better management. As the PFIAB and others have pointed out, better management does not mean increased management layering. Our primary problems in this area appear to be those of affixing clear-cut authority and responsibility. As we look ahead to this year and beyond, it is appropriate to address not only the progress we have made, but the prospects for continuing it in the future, and the problems which must be resolved if we are to do so. (U)

As leader of the Intelligence Community, the DCI has a number of key responsibilities. These include his role as the primary advisor to the President on foreign intelligence, serving as the executive head of the CIA and of the Intelligence Community Staff, acting as principal spokesman to the Congress for the Community, protecting intelligence sources and methods, and ensuring preparation and submission of a national intelligence budget each year. (U)

I want to reemphasize the necessity for the DCI to have adequate security safeguards available if the Intelligence Community is to successfully accomplish its many tasks. Although the National Security Act of 1947 assigned the DCI responsibility for protecting intelligence sources and methods from unauthorized disclosure, it provided no specific sanctions to enable him to carry out this responsibility. In the absence of supplementary legislation, such as HR 12006 which was introduced in the second session of the 94th Congress, but not enacted, and which

provided for criminal and civil sanctions against persons who willfully and wrongfully reveal sensitive intelligence information, our ability to maintain an effective worldwide foreign intelligence program is seriously jeopardized. I also support the early passage of legislation providing for obtaining court-ordered warrants for the conduct of electronic surveillance, where appropriate, to aid in investigations of domestic security cases. Such legislation would be fully consistent with the provisions of Executive Order 11905 concerning intelligence activities in terms of protecting the rights of our citizens. The Intelligence Community continues to explore the best way to implement a system requiring all Executive Branch personnel to execute security agreements as a precondition of granting them access to classified intelligence information. We hope to have such a system in operation in the very near future. (U)

DCI Authority and Responsibility. A year ago my predecessor reported that both he and his two predecessors had tried to reconcile the responsibility assigned them (in the Presidential directive of 5 November 1971*) for recommending the appropriate allocation of resources for all intelligence programs and activities with the statutory responsibility of the Secretary of Defense and the military departments for sizing, organizing and equipping military forces. He observed that they had found it impracticable for the DCI to make resource recommendations on force support intelligence assets or to judge their efficiency or effectiveness, and stated the need for a more definitive statement of the division of intelligence resource responsibilities between the Director of

* Presidential Memorandum, *Organization and Management of the U.S. Foreign Intelligence Community*. (U)

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Central Intelligence and the Secretary of Defense. (C)

Under the Executive Order, we have been able to develop arrangements for joint review in the CFI of those portions of the NFIP included in the proposed Department of Defense budget. I described earlier the detailed consideration of resource issues undertaken by the CFI. Through this process of identification and negotiation of issues, I have been able to meet my responsibilities for the overall NFIP budget. (U)

Intra-Governmental Relationships. The DCI is responsible for the overall direction and coordination of a variety of intelligence organizations located in a number of executive departments. To fulfill this responsibility, and his role in the CFI, it is essential that he be provided with explicit authority to communicate directly with the program managers throughout the National Foreign Intelligence Program on matters of budget and resource allocation. (U)

Management of Scarce Resources. Our most critical challenge is the effective and efficient management of scarce resources. The history of United States intelligence is one of very gradual centralization of policy planning. Lagging behind that has been the effort to centralize program and budget guidance. During the course of the last year, relying upon the authority and tasking provided in Executive Order 11905, we have made progress in centrally reviewing and rationalizing a consolidated national foreign intelligence program budget. (C)

There is increasing need to introduce more specific policy and planning guidance into the planning, programming and budgeting process in a meaningful way before the fact, so that the programs subsequently developed can benefit from useful and coherent guidance reflecting a Community perspective. (U)

Our efforts to realize this capability are centered in the Intelligence Community Planning System, which consists of short-range, mid-range, and long-range elements. The short-range

element provides both substantive and resource management guidance for operators concerned with the employment of existing assets. The mid-range element provides similar guidance for planning and programming purposes. The long-range element looks beyond the program period (five years) out to twenty years in the future to identify likely environmental factors impacting on the entire intelligence process. The planning system, which provides identification of requirements and priorities, and the anticipated strategy for dealing with the demands of the future, is designed to be compatible with the government planning-programming-budgeting system, and hence of direct utility to the CFI in fulfilling its responsibilities for provision of timely resource guidance to program managers. (C)

A particularly important aspect of developing better management and responsiveness to consumer needs, as well as resources application, centers on the Community's ability to plan more aggressively for the longer term (five to twenty years into the future). In terms of resource planning and development, we need to know, for example, whether or not certain of our operating systems and technologies are likely to be appropriate to situations in the intelligence world five to twenty years hence, and what the mix of intelligence systems should be. We cannot begin multiyear investment in highly sophisticated technologies that cannot be made operational in fewer than six to eight years without a convincing concept of their probable utility in the long term. (S)

A pilot project has been undertaken within the Intelligence Community Staff to explore possibilities in this area. While the initial effort is based on a task force approach, I expect that momentum will build toward a more ambitious effort in the future. (C)

User-Producer Partnership. We recognize the need for a closer cooperative partnership between users and producers of intelligence. This is a critical consideration in developing better criteria for the CFI to apply in determining resource

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allocations. Spearheading this effort, my National Intelligence Officers, along with the Intelligence Community Staff, are exploiting opportunities to solicit and anticipate the most important needs for intelligence input at the highest echelons of United States foreign policy formulation, and also to engender a more responsive user evaluation of the quality and utility of intelligence products. The widespread interaction between intelligence producers and users that took place during our first semiannual review of intelligence, which was carried out for the NSC in accordance with Executive Order 11905, was in itself very useful in enhancing the partnership. Such efforts also provide important criteria for use by the National Foreign Intelligence Board in its continuing deliberations on the kinds and amounts of intelligence that must be collected and produced across the board in the national effort. (C)

We also find, in the user-producer dialogues in which we engage, increasing requests for comparative evaluations, rather than the nearly exclusive focus on foreign target data which has traditionally characterized intelligence reporting. The distinction between intelligence and what we now know as net assessment has diminished. My strong feeling is that the role of intelligence is to provide input to such assessments, not to produce them. Intelligence can help by supplying needed data on foreign capabilities, assisting in developing assumptions about them in the absence of hard data, and generally playing a supporting role. (C)

National/Tactical Intelligence Interface. Considerable attention has recently been devoted to problems related to the conflicting demands of national and tactical needs for intelligence derived from national systems, particularly overhead reconnaissance systems. In reality the problem is three-tiered, involving the needs of national, departmental and field consumers. Each element has needs and missions which are unique, and which differ in important respects from those of the others. The nature of some of

these differing needs is such that certain collection systems cannot be optimized for one consumer without serious degradation of their utility to others. Tradeoffs are required, and must be made from a national perspective. (S)

The current mission of most national intelligence collection resources is the timely and continuing support of national-level decision makers involved in policy formulation, international negotiations, and crisis control. These systems are designed to operate in an essentially benign environment. If we were to redesign our national intelligence capabilities to operate effectively in both benign and conflict environments, we would have to make a major investment in system survivability and the tactical communication and dissemination links and subsystems. We would also have to consider the impacts of such a step in terms of effects on aspects of our foreign policy (such as the Open Skies Agreement, SALT verification, etc.) and on the overall intelligence budget, including national, departmental, and intelligence-related* programs. (S)

In effect, we are faced with the dilemma of trading off our capabilities to support war avoidance and crisis control and our capabilities to provide tactical intelligence from hardened national systems at such time as our military forces may be committed. In reality, the viability of national intelligence systems as wartime assets remains to be proven. It needs to be tested in more joint exercises and war games. Such evaluations would demonstrate the relative capabilities of national and tactical intelligence assets for support of combat operations, as well as of the National Command Authority. We must ascertain what can be accomplished effectively with the systems now in being, both national and tactical, before we venture into a massive redesign which would be expensive in terms of money, time and capabilities. (S)

* Intelligence-related programs are those programs which, while not part of the National Foreign Intelligence Program, are closely related to it; included are such things as tactical warning, airborne reconnaissance, ocean surveillance, and certain training. (C)

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The recent recommendation for a national-level study to provide the basis for a Presidential decision is the first step. Planning for more joint exercises involving national systems is underway and should establish what we can effectively do now. Simultaneously, the capability of tactical systems to provide information to the National Command Authority will be tested. On the basis of what we learn from these initiatives, we can make informed judgments as to how to proceed in resolving the interface problem. (S)

As intelligence-related assets become more expensive, complex, and interrelated with national intelligence assets, it becomes even more crucial that central control be exercised to prevent overlap and unnecessary duplication. The Congress has stressed this point and E.O. 11905 has emphasized the same theme. There must be the necessary concept, doctrine, policy, and strategy to assure that we are moving in the right direction. (U)

Evaluating Intelligence Performance. Certainly we are faced with the necessity to do better in evaluating how well the Intelligence Community does its job, especially in terms of specific identifiable and measurable goals and objectives. In an enterprise like intelligence, where the tasks are both difficult and complicated, the assessments are likely to be keyed to identifying shortfalls rather than complete successes. Following such assessments, decisions must be made on whether to continue programs which have not succeeded, to provide them with more assets when those assets have in the main to be drawn from other programs rather than from new resources, or to terminate them. (U)

Effecting Meaningful Change. Modification of the planning and programming process of so complex and diverse an entity as the Intelligence Community is of course far more than merely issuing directives or establishing mechanisms. There is a process that takes place over time of modifying attitudes and expectations so that those responsible for formulating individual programs and program elements come to antici-

pate the Community-level planning guidance, and take it into account in a meaningful way in their own work. There is developing confidence among members of the Community that the central coordinating process is based on a viable plan, that it will produce useful and coherent guidance in time to provide for deliberate reaction, that the forum for discussion and reclama provides real rather than pro forma opportunities for interaction, and that good will and a spirit of cooperation characterize the process. (U)

These may be thought by some to be unrealistic and idealistic aspirations for a bureaucracy. Perhaps they are in the absolute. Yet they are, and must be, the goals we establish for ourselves in so critical an endeavor as the development of adequate intelligence in a difficult and dangerous world. I am personally convinced that the events of recent months have not only strengthened and energized our oversight and management functions, but have also given elements of the Intelligence Community an increased sense of their own interdependence and the necessity for working cooperatively if we are to get the job done within the assets available. The development of what we might call a Community perspective on the part of its constituent members is an evolutionary process, but it is one that is underway and will, I believe, pay important dividends in the future. (U)

B. The Changing Intelligence Environment

During 1976 events of significance to the Intelligence Community ranged in scope and kind from issuance of the President's Executive Order 11905 in February through exploitation of a Soviet MIG-25 Foxbat interceptor aircraft in early autumn. The problems with which we sought to deal were equally diverse, including responding to Congressional and Executive Branch oversight, devising organizational and procedural means for fulfilling the responsibilities assigned the Director of Central Intelligence in the Executive Order, and planning and providing

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for technical and human assets to maintain our capacity to get the job done in the face of a rapidly changing world environment. (U)

It is becoming commonplace to cite change as the distinguishing characteristic of our age, and not only the amount of change, but the continuing acceleration of the pace of that change. More nations, more events, more actors, more interdependence, more communications—all add up to a virtual blizzard of action and information. Not only must the intelligence professional, in common with many others, seek to obtain information of important events, to separate out that which is significant from the much larger mass of that which is not, and to place accurate information in an historical and analytical context which will make it meaningful to the policy maker he serves; he must also do this rapidly enough, and communicate it to intelligence consumers clearly and quickly enough, so that they have time to make use of the product in ways that make a difference. The accelerating pace of change compounds this challenge. And in the midst of change intelligence must seek to identify not only meaningful change, but also significant continuities, and the implications of both for the future. (U)

Two things stand out most clearly in assessing the changing intelligence environment:

- There are more things about which we need intelligence data.
- There is the prospect that intelligence may become harder to obtain. (U)

Our intelligence efforts have historically been heavily oriented toward the military aspects of world events, and remain so today. But while military considerations remain vitally important, our need for economic and political intelligence, particularly as it impacts on our national security, is increasing. This is a central feature of the contemporary environment: the emergence of new or enlarged intelligence requirements which are in addition to, rather than instead of, more traditional categories of intelligence. Earlier I

discussed some of the accomplishments of the recent past. In thinking about the challenges ahead, we have observed:

- United States initiatives in seeking to bring peace to such areas as the Middle East rely on detailed knowledge of the interests, negotiating options, domestic factions, political stability and good faith of the parties involved. (C)
- International negotiations, including those dealing with arms control, monetary policy, commodities and other economic issues, and use of the oceans, generate requirements to support United States delegations with analyses of foreign developments, biographic sketches of foreign participants, and political and economic estimates. (C)
- Dependence of the developed world on oil supplies makes detailed knowledge of the sources, availability and costs of oil extremely important. (C)
- Nuclear proliferation is a political as well as a military problem, and one which involves extremely demanding requirements for intelligence. (U)
- Decisions regarding such problems as proposed transfers of technology require highly integrated political-military-economic-scientific intelligence assessments. (C)
- In southern Africa, support for U.S. peace initiatives has meant requirements for what amounts to a whole new realm of political intelligence. (C)

Threats differing from the traditional military type continue to concern us, and to require unique kinds of intelligence which overlap boundaries between economic, political, military and scientific fields. Terrorism is one such threat. The information we seek ranges from the identity, organization, location, targets, methods, and sources of support of terrorist groups to attitudes of other nations toward specific terrorist organizations and toward the phenomenon in

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general, and the resultant implications for possible international cooperation in dealing with the problem. Clearly, it is a problem of enormous complexity, made all the more so by the diverse and sometimes ambiguous sources of the threat, and one which places great demands on our intelligence capabilities. (S)

Other realms of current or potential significance also present interdisciplinary intelligence challenges. Conventional arms transfers and the worldwide traffic in illicit drugs are among them. So is the whole phenomenon of the use of security assistance as a means of projecting power, which means we need to detect and understand the implications of the military and economic assistance programs, grants and sales, training and advisory agreements, base rights and exchange programs which can be used to extend the reach and influence of adversary nations. (S)

Predicting the future is an inherently risky task. But if there is one thing about the future that seems clear to me from my present perspective, it is that economic and political intelligence have become increasingly important, and that this trend will continue sharply upward in the years ahead. In an environment of constrained resources this would require difficult reallocations of assets. (U)

What will make such decisions particularly agonizing is that the proliferation of new and expanding intelligence requirements has not been accompanied by diminished needs for traditional military intelligence. Quite the opposite is in fact the case: the requirements for military intelligence are themselves becoming more diverse and more demanding. In part this is due to simple expansion of the activities to be monitored: more signals, more telemetry, more deployments, more testing. (C)

The management of intelligence, like that of other governmental functions, involves the application of limited resources to critical needs while trying to minimize the risk resulting from shortfalls. Thus the management problem is one

of constant reassessment of priorities. What is unique about intelligence is that one can never be sure of what is missed when collection and surveillance opportunities are passed up, and thus the risks in doing so can seldom be rigorously evaluated. (U)

Collection difficulties result from greater numbers of targets and rapidly unfolding events. Some of these difficulties are due to the nature of the targets themselves and constraints on our access to them. One key aspect of the latter difficulty is the diminishing availability of intelligence bases overseas. We are at times hard pressed to find alternatives to formerly productive sites overseas. Relocation of equipment is expensive and time-consuming, even when an alternate site permitting access to the same targets can be obtained. In other cases, we must resort to offshore or overhead means of collection, or to human intelligence when it can serve as a partial substitute. (S)

Meanwhile, intelligence targets themselves are in many cases becoming more difficult to collect against. Advances in the sophistication of foreign nations, reflected especially in their communications technology, make us work harder and spend more just to acquire the same information we obtained more easily and cheaply in the past. Some emerging technologies are inherently more difficult to detect and to assess. Non-military intelligence targets of increasing interest are by their nature more difficult to observe and to evaluate than many military factors. And the increasing importance of intelligence targets in the developing world presents an array that is often more changeable and challenging to monitor than more stable environments elsewhere. (S)

C. Collection



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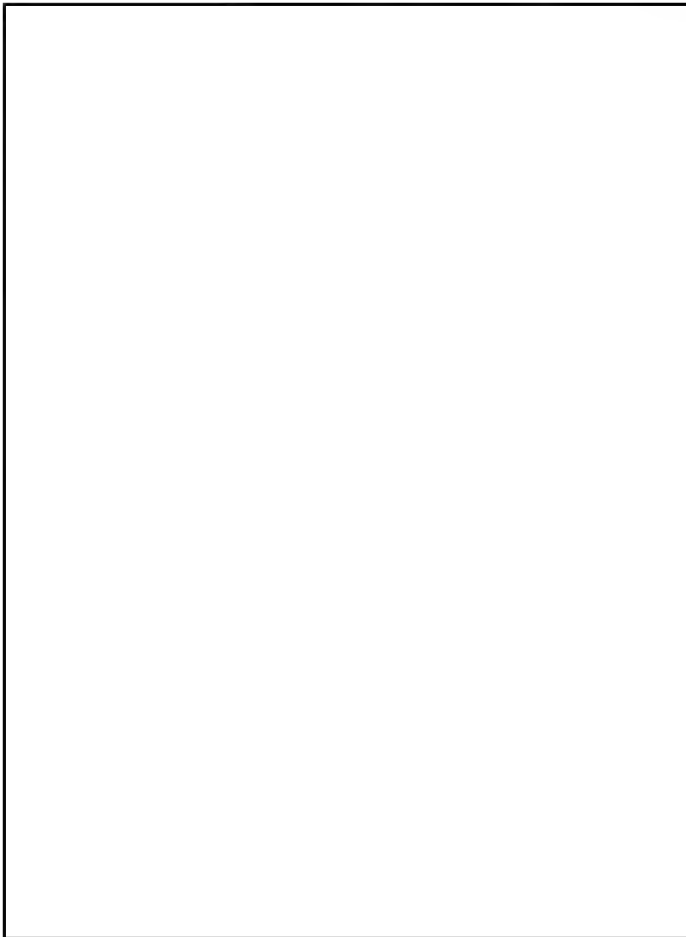
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But they also provided a very useful and active component of the improved oversight capacity which has since developed. The adversary relationship which existed between the Intelligence Community and the Congress during the most sensationalized parts of the hearings has given way almost entirely to a more constructive type of oversight. The Senate Select Committee on Intelligence, as well as Committees in both houses with longstanding interest in and responsibility for intelligence matters, has demonstrated a creative concern for both the management and substance of our intelligence effort. The usefulness of this contribution has been reinforced by the assembly of substantial staff support for these committees, and by a continuous and open exchange of views between members of the Congressional Committees and their staffs on the one hand and members of the various intelligence agencies at many levels on the other. Nevertheless, we are reporting to too many committees. I believe both the efficiency and the effectiveness of Congressional oversight of intelligence activities would be enhanced by consolidation of responsibility in a single committee, or at most in one committee in each House, a situation I hope we can look forward to in the future. (U)

H. Oversight

Role of Oversight in Reestablishing Community Standing. As indicated earlier in this report, I am particularly gratified by the degree to which we have been able, during the past year, to help reestablish the standing of the Intelligence Community as a dedicated and effective arm of the government. This success has been due in large measure to the implementation of extremely effective oversight at several levels: in the Congress, within the Executive Branch, and within the Intelligence Community itself. (U)

The Congressional Contribution. The Congressional committees which held extended hearings into the organization and practices of United States intelligence agencies made clear the necessity for improved oversight mechanisms.

Executive Branch Oversight Improvement. Several mechanisms have contributed to improvement of oversight activities within the Executive Branch. Perhaps most prominent, because of the sensitivity and potential for abuse of covert action, is the Operations Advisory Group. Not only does it consider and develop a policy recommendation for the President in advance of his decision on every proposed covert action operation, but it also periodically reviews those operations it has previously approved. The composition of the Operations Advisory Group ensures that no staff-generated proposals will be forwarded for decision without consideration by the President's principal foreign policy advisors, and the provision for periodic review of ongoing operations helps to ascertain that only those

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activities with enduring viability and justification are continued. (C)

The Intelligence Oversight Board, composed of three persons from outside the government and appointed by the President, provides a mechanism from outside the Intelligence Community for monitoring possible illegalities or improprieties. The Inspectors General and General Counsels of intelligence agencies are tasked to report suspected questionable activities to the Board, and without regard to interference by intervening levels of authority. The Board in turn is charged with periodically inquiring into the practices of the various agencies to discover and report

activities of questionable legality or propriety. (U)

The National Security Council is now conducting semiannual reviews of intelligence policies to determine, among other things, the continued appropriateness of special activities in support of national foreign policy objectives. (U)

Oversight within the Intelligence Community. The Community itself has developed improved and more pervasive oversight mechanisms. These include General Counsel and Inspector General activities which interact with the Intelligence Oversight Board. (U)

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A FINAL WORD

Responsibilities. Our responsibilities as a Community are three-fold:

- To serve the intelligence consumer.
- To adapt to the changing international intelligence environment.
- To manage constrained resources effectively. (U)

Adequacy of Resources. I believe the National Foreign Intelligence Program budget proposed for FY 1978 is adequate to enable us to meet these responsibilities. The provisions for out-year expenditures are such that we can make an orderly transition and preparation demanded by the changing environment. (U)

Understanding Risk. In this presentation I have not relied upon expectation of major additional resources for intelligence activities during the foreseeable future. The proposed budget is not without risks, however, and I hope we have made clear both the extent of those risks and the degree of uncertainty involved in estimating them. The foregoing has been an attempt to articulate the means by which we could operate effectively at least risk. (U)

It is imperative that we find better ways to understand what that risk is, and to articulate the risk effectively to those who have the responsibility of providing resources. Only in that way can we have confidence that the assignment of resources to the intelligence mission will be adequate to the circumstances. (U)

Intelligence and America's Leadership Role. The United States no longer enjoys the military and economic dominance of global affairs which it exercised throughout much of the post-World War II period. It is therefore much less in a

position to resort to force should other means of protecting its interests fail, and much more dependent upon negotiation, cooperation and persuasion to attain its ends. The intelligence requirements of this position are demanding: prior knowledge of the objectives, alliances, schemes and intentions of foreign powers becomes invaluable. (S)

It is clear that the United States intends to continue to play a major role in world affairs, a role that is creative in the sense of seeking to take the lead in resolution of continuing sources of conflict such as exist in the Middle East and Southern Africa, and in such long-term global problems as modernization in the underdeveloped nations and adequacy of food supplies and their distribution. This is a role that Americans can be proud of and unite to support. It is also a role that is heavily dependent for success on adequate intelligence, much of it intelligence of a new kind. Economic and political intelligence are becoming more crucial every day, not only for use by policy makers concerned with United States security, but also for guiding and informing United States actions in seeking to shape a better world. (U)

A lesson of the recent past has been that political and economic developments, even in small nations which have little capacity to *militarily* affect the security of the United States, can impact greatly on our well-being and that of our allies, considering the interdependent and vulnerable contemporary world in which we live. The implication for intelligence is that there is very little that goes on in the world that is not of interest to United States policy makers, and the demands for increasing amounts of intelligence have been matched only by those for increasing

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sophistication and depth of the finished product, and for an expanding range of clients. And it is especially important to recognize that war avoidance, peacekeeping, arms control, and creative leadership in international economics and politics, as well as war fighting or war preparedness, require the best intelligence support we can provide. (U)

In the military realm, we have tended to focus upon the quantitative aspects of forces and weapons, and we have done it well. But it is now clear that in the future we will need to know much more about the combinations, contingency plans, capabilities for projection, and contemplated uses of military forces in being and under development by foreign powers. We are still in the infancy of learning to appreciate and assess qualitative factors, the far more amorphous and changeable qualities, such as leadership, morale,

discipline and training, that are critical attributes of military forces. In other realms, such as economic and political intelligence, qualitative factors play the dominant role, and here it is even more critical that we learn more about how to identify, evaluate, and utilize our knowledge of such aspects of foreign capabilities. (S)

These are not problems that will be completely resolved in the short term; indeed, in a literal sense they are not susceptible to complete solution. What we have a right to expect is continuing progress toward closer approximation of solutions, and reasonable anticipation of future problems in time to plan for dealing with them. Our commitment to the American people is to give our best effort in search of that progress, and to do so with scrupulous regard for the spirit and the letter of the statutes and regulations which govern intelligence activities of the United States. (U)